

# MCA revises threshold for paid up capital and turnover for Small Companies

Posted On: 03 FEB 2021 4:31PM by PIB Delhi

In line with the vision of the Government of India, the definition under the Companies Act, 2013 for Small Companies has now been revised by increasing their thresholds for Paid up capital from “not exceeding Rs 50 lakh” to “not exceeding Rs 2 crore” & Turnover from “not exceeding Rs 2 crore” to “not exceeding Rs 20 crore” (Click Here for Notification). This is expected to benefit more than two lakh companies in terms of lesser compliances, lesser filing fees and lesser penalties (in the event of any defaults).

Small companies are the backbone of our corporate world. They represent the Entrepreneurial aspirations & Innovation capabilities of lakhs of citizens. They contribute to employment and GDP in a very substantial manner. The Government has always been committed to taking measures which create a more conducive business environment for such law abiding companies, including reduction of compliance burden on such companies.

Some of the benefits of reduction in compliance burden for over 2 lakh companies as a direct consequence of the revised definition are as under:

- No need to prepare Cash flow statement as part of financial statement.
- Where other companies require providing details of remuneration to directors and key managerial personnel, small companies are required to provide details of the only aggregate amount of remuneration drawn by directors in its Annual Return.
- Mandatory rotation of auditor not required.
- An Auditor of small companies is not required to report on the adequacy of the internal financial controls and its operating effectiveness in the auditor's report.
- Hold only two board meetings in a year.
- Annual Return of the company can be signed by the Company Secretary, or where there is no company secretary, by a single director of the company.
- Lesser penalties for Small Companies.
- Lesser filing fees for Small Companies.